

Joint Legislative Budget Committee Staff Memorandum

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DATE: October 16, 2008
TO: Members, Joint Legislative Budget Committee
FROM: Richard Stavneak, Director
SUBJECT: FY 2009 REVENUE AND ENDING BALANCE PROJECTION

Pursuant to Laws 2008, Chapter 285, the JLBC Staff is required to report to the Committee by October 15, 2008 as to whether the estimated FY 2009 General Fund revenues and ending balance are expected to change by more than \$50 million from budgeted projections.

The JLBC Staff does anticipate that the FY 2009 ending balance will fall short of the budget by more than \$50 million due to significantly lower than anticipated revenue collections in FY 2009.

The enacted FY 2009 budget was based on a total revenue forecast (excluding the beginning balance), of \$9.98 billion. This amount assumed a base revenue growth rate of 1.9%. Based on much lower than expected FY 2008 collections, the enacted budget forecast amount would require a base growth rate for FY 2009 of 6.1% in order to achieve the forecasted dollar amount.

FY 2009 revenues are likely to fall substantially short of that target. Based on preliminary data, year-to-date revenues through September are (9.0)% below last year and \$(300) million below forecast.

In an October 1st presentation, JLBC Staff projected a FY 2009 shortfall of \$(550) million to \$(1.0) billion. This shortfall range was based solely on JLBC Staff projections, as we were awaiting the results of the 4-sector consensus forecasting process.

The 4-sector results are now available. The 4-sector results are based on 2 models from the University of Arizona, the Finance Advisory Committee panel survey, and the JLBC Staff forecast. The 4-sector consensus forecasts a revenue decline of (4.4)% in FY 2009. The forecast range was a decrease of (1.5)% to (5.4)%.

The FY 2009 ending balance will also depend on spending projections. The shortfall estimates include an added \$50 million in administrative adjustments for unpaid FY 2008 bills. There are no known agency supplemental requests; however, AHCCCS is currently reporting a \$(50) million shortfall.

Based on the 4-sector revenue forecast range and the added administrative adjustments noted above, the FY 2009 shortfall would be from \$(700) million to \$(1.1) billion.

Please let us know if you have any questions.

RS/TE:ss